

EYERLY-BALL COMMUNITY
MENTAL HEALTH SERVICES

FINANCIAL REPORT
JUNE 30, 2009 AND 2008

EYERLY-BALL COMMUNITY
MENTAL HEALTH SERVICES

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JUNE 30, 2009 AND 2008

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Certified Public Accountants
"Achieving your goals with our knowledge."

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Eyerly-Ball Community Mental Health Services
Des Moines, Iowa

We have audited the accompanying statement of financial position of Eyerly-Ball Community Mental Health Services (a non-profit organization) as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2008 financial statements and, in our report dated January 27, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eyerly-Ball Community Mental Health Services as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements are those of Eyerly-Ball Community Mental Health Services only and are not those of the primary reporting entity. The combined financial statements of Eyerly-Ball Community Mental Health Services, Westminster House, Inc., W.H. II, LTD., W.H. III, Inc. (the Westminster Group), and Behavioral Health Resources, Inc., related nonprofit entities and their majority owned subsidiary, Golden Circle Behavioral Health, L.C., have been issued as the financial statements of the primary reporting entity.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
January 8, 2010

EYERLY-BALL COMMUNITY MENTAL HEALTH SERVICES

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 WITH COMPARATIVE TOTALS AS OF JUNE 30, 2008

ASSETS

	<u>2009</u>	<u>2008</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 215,042	\$ 75,330
Accounts receivable, less allowance for doubtful accounts of \$66,966 in 2009:		
Government fees	158,888	237,463
Clients	184,025	182,191
Golden Circle Behavioral Health, L.C.	-	2,718
Behavioral Health Resources, Inc.	43,198	41,134
Westminster House, Inc.	-	1,888
Other	61,063	85,259
Loan receivable - Behavioral Health Resources, Inc.	-	180,000
Total current assets	<u>662,216</u>	<u>805,983</u>
<u>NON-CURRENT ASSETS:</u>		
Investment in Golden Circle Behavioral Health, L.C.	96,152	85,230
Loan receivable - Behavioral Health Resources, Inc.	5,000	5,000
Property and equipment (net of accumulated depreciation/amortization)	1,014,757	1,063,831
Security deposit	2,326	2,326
Investment in Greater Des Moines Community Foundation	5,903	7,911
Total non-current assets	<u>1,124,138</u>	<u>1,164,298</u>
 TOTAL ASSETS	 \$ <u>1,786,354</u>	 \$ <u>1,970,281</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 36,146	\$ 38,303
Accounts payable - Behavioral Health Resources, Inc.	112,461	139,153
Accounts payable - Golden Circle Behavioral Health, L.C.	247,819	243,288
Accounts payable - Westminster House, Inc.	35,759	4,371
Accounts payable - Polk County	24,023	24,023
Deferred revenue	40,000	-
Deferred revenue - Clinical grant	5,000	-
Consultec overpayment payable	9,115	9,115
Refundable security deposit	8,900	8,900
Accrued interest	605	688
Accrued payroll	104,871	81,569
Accrued vacation payable	84,610	76,965
Accrued payroll taxes, benefits and fees	7,673	5,881
Line of credit	120,000	150,000
Loan payable - Westminster House, Inc.	60,000	70,000
Note payable	-	200,000
Current portion of capital leases and mortgages payable	41,165	56,314
Total current liabilities	<u>938,147</u>	<u>1,108,570</u>
<u>LONG-TERM LIABILITIES:</u>		
Capital leases and mortgages payable - Less current portion	<u>740,723</u>	<u>778,904</u>
<u>NET ASSETS:</u>		
Unrestricted	107,484	75,439
Temporarily restricted	-	7,368
 TOTAL NET ASSETS	 <u>107,484</u>	 <u>82,807</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>1,786,354</u>	 \$ <u>1,970,281</u>

EYERLY-BALL COMMUNITY MENTAL HEALTH SERVICES

STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2009</u>	<u>2008</u>
<u>PUBLIC SUPPORT AND REVENUE:</u>				
Public support:				
Contributions	\$ <u>1,217</u>	\$ <u>-</u>	\$ <u>1,217</u>	\$ <u>1,110</u>
Fees and grants from government agencies	<u>1,692,978</u>	<u>-</u>	<u>1,692,978</u>	<u>1,447,426</u>
Revenue:				
Private patient and client participation	1,331,795	-	1,331,795	1,160,449
Investment income	912	-	912	987
Net realized and unrealized losses on investments	(1,884)	-	(1,884)	(159)
Equity in net income (loss) of limited liability company	10,922	-	10,922	(8,068)
Miscellaneous	<u>61,733</u>	<u>-</u>	<u>61,733</u>	<u>21,288</u>
	<u>1,403,478</u>	<u>-</u>	<u>1,403,478</u>	<u>1,174,497</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>7,368</u>	<u>(7,368)</u>	<u>-</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>3,105,041</u>	<u>(7,368)</u>	<u>3,097,673</u>	<u>2,623,033</u>
<u>EXPENSES:</u>				
Program services	2,861,984	-	2,861,984	2,572,936
Supporting services	<u>211,012</u>	<u>-</u>	<u>211,012</u>	<u>250,197</u>
TOTAL EXPENSES	<u>3,072,996</u>	<u>-</u>	<u>3,072,996</u>	<u>2,823,133</u>
CHANGE IN NET ASSETS	32,045	(7,368)	24,677	(200,100)
<u>NET ASSETS</u> - Beginning of year	<u>75,439</u>	<u>7,368</u>	<u>82,807</u>	<u>282,907</u>
<u>NET ASSETS</u> - End of year	\$ <u>107,484</u>	\$ <u>-</u>	\$ <u>107,484</u>	\$ <u>82,807</u>

EYERLY-BALL COMMUNITY MENTAL HEALTH SERVICES

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2009

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	Program Services			
	Community Support Programs	Elderly Outreach Programs	Clinical and Psychiatric Services	Mobile Crisis Response Program
Salaries	\$ 364,307	\$ 145,370	\$ 1,112,453	\$ 304,297
Employee benefits	43,606	7,485	78,841	19,857
Payroll taxes	43,688	13,002	86,145	25,685
Total salaries and related expenses	451,601	165,857	1,277,439	349,839
Utilities	3,001	575	13,827	625
Occupancy	2,826	894	18,861	679
Professional fees	87,396	4,843	39,639	10,633
Office supplies	15,300	539	14,725	1,540
Equipment repairs and maintenance	10,849	1,473	38,718	4,241
Telephone	3,936	1,585	6,989	4,372
Postage	876	563	1,789	586
Insurance - General	4,370	2,788	8,856	5,396
Transportation	30,619	6,258	10,536	4,031
Conferences and training	2,479	352	23,403	16
Advertising	1,138	4,044	2,721	239
Printing	995	884	3,215	707
Miscellaneous	-	-	2,472	-
Subscriptions and dues	96	4	14	4
Payroll service	-	-	-	-
Bad debt expense	15,774	3,362	151,071	809
Total expenses before depreciation, amortization and interest	631,256	194,021	1,614,275	383,717
Depreciation and amortization	4,034	757	17,640	7,423
Interest expense	4,107	512	1,699	557
TOTAL FUNCTIONAL EXPENSES	\$ 639,397	\$ 195,290	\$ 1,633,614	\$ 391,697

<u>Other Programs</u>	<u>Total</u>	<u>Supporting Services Management and General</u>		<u>Total</u>	
			<u>2009</u>	<u>2008</u>	
\$ -	\$ 1,926,427	\$ 107,131	\$ 2,033,558	\$ 1,938,866	
-	149,789	6,002	155,791	126,113	
-	168,520	7,858	176,378	177,174	
-	2,244,736	120,991	2,365,727	2,242,153	
-	18,028	6,562	24,590	28,971	
-	23,260	18,306	41,566	32,005	
-	142,511	4,388	146,899	71,884	
-	32,104	2,871	34,975	30,783	
-	55,281	5,540	60,821	42,852	
-	16,882	2,077	18,959	21,507	
-	3,814	377	4,191	2,168	
-	21,410	1,646	23,056	22,506	
-	51,444	221	51,665	39,608	
-	26,250	1,510	27,760	4,266	
1,986	10,128	570	10,698	8,986	
-	5,801	308	6,109	4,542	
-	2,472	16,574	19,046	16,064	
-	118	1,797	1,915	1,830	
-	-	2,437	2,437	2,438	
-	171,016	-	171,016	166,960	
1,986	2,825,255	186,175	3,011,430	2,739,523	
-	29,854	19,776	49,630	55,225	
-	6,875	5,061	11,936	28,385	
\$ <u>1,986</u>	\$ <u>2,861,984</u>	\$ <u>211,012</u>	\$ <u>3,072,996</u>	\$ <u>2,823,133</u>	

EYERLY-BALL COMMUNITY MENTAL HEALTH SERVICES

STATEMENTS OF CASH FLOWS

YEAR ENDED JUNE 30, 2009

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	<u>2009</u>	<u>2008</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 24,677	\$ (200,100)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	49,630	55,225
Capital lease amortization	22,592	18,932
Deferred bond financing charges amortization	1,982	1,982
Equity in net (income) loss of limited liability company	(10,922)	8,068
Net realized and unrealized losses on investments	1,884	(159)
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	103,479	(20,041)
Decrease in prepaid expenses	-	1,484
Increase in accounts payable	7,070	233,277
Increase (decrease) in accrued liabilities	45,000	(15,026)
Increase (decrease) in accrued interest	(83)	139
Increase in accrued payroll	23,302	2,812
Increase (decrease) in accrued vacation payable	7,645	(2,720)
Increase (decrease) in accrued payroll taxes, benefits and fees	<u>1,792</u>	<u>(1,283)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>278,048</u>	 <u>82,590</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	(21,726)	(8,517)
Investment in Greater Des Moines Community Foundation	(2,008)	(284)
Payments received loan receivable from Behavioral Health Resources, Inc.	<u>180,000</u>	<u>-</u>
 NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	 <u>156,266</u>	 <u>(8,801)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Payments on capital leases	(17,329)	(16,676)
Proceeds from note payable	-	200,000
Loan to Behavioral Health Resources, Inc.	-	(180,000)
Proceeds from line of credit	200,000	905,000
Payments on line of credit	(230,000)	(940,000)
Payments on loan from Westminster House, Inc.	(10,000)	-
Payments on mortgage	(37,273)	(35,624)
Payments on note payable	<u>(200,000)</u>	<u>-</u>
 NET CASH USED IN FINANCING ACTIVITIES	 <u>(294,602)</u>	 <u>(67,300)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 139,712	 6,489
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of year	<u>75,330</u>	<u>68,841</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of year	\$ <u>215,042</u>	\$ <u>75,330</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u>		
Cash payments for:		
Interest	\$ 12,019	\$ 51,556

See Accompanying Notes to Financial Statements

EYERLY-BALL COMMUNITY
MENTAL HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 1 -- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization:

Eyerly-Ball Community Mental Health Services was organized in February 1969 as a private, nonprofit organization representing the disciplines of psychiatry, clinical psychology, social work, and related mental health professions. The purpose of the Organization is to provide and coordinate services for the elderly, mentally ill, or otherwise disadvantaged individuals, through psychotherapeutic treatment, community consultation, and education programs.

The Organization's major programs are:

Community Support Programs - where a mutually agreed upon individual service plan is developed and implemented to increase the client's level of functioning and promote the enhancement of independent living skills.

Elderly Outreach Programs - where licensed professionals provide therapy to individuals age 60 or older in their homes, as well as providing case management assistance to enable the individuals to live independently rather than in a more restricted or higher level of care setting.

Clinical and Psychiatric Services - provides psychotherapy to individuals, groups, and families to alleviate symptoms, change or modify behavior, and increase their level of functioning as well as providing medical services by a licensed physician with a specialty in psychiatry, such as medication evaluation and management, and psychiatric evaluations. Also included are services of an ARNP (nurse practitioner) who serves as a liaison to a variety of individuals and programs and coordinates treatment with clinical staff, outside service providers, and families.

Mobile Crisis Response Program - consists of a mobile mental health team that is dispatched at the request of law enforcement to do on-site assessments of individuals when the offense is superseded by mental health issues.

Other Programs - generally provides some combination of the above services to a specifically targeted population either on a fee-for-service or grant basis.

A summary of the Organization's significant accounting policies follows:

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2009, the Organization had only unrestricted net assets.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Accordingly, actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are considered past due after 30 days and are charged off when management determines the account is uncollectible. The risk of loss on the accounts receivable is the balance owed at the time of default. Bad debts are charged to operations in the year in which the account is determined uncollectible. The Organization has provided an allowance for the year ended June 30, 2009, based on historical collections and management's estimate of the collectibility of accounts receivable.

EYERLY-BALL COMMUNITY
MENTAL HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Interest in Limited Liability Company

The Organization is accounting for its interest in Golden Circle Behavioral Health, L.C. using the equity method under which the basis of the investment is adjusted for the Organizations' share of the limited liability company's net income or losses and any distributions.

Property and Equipment

The acquisition of property and equipment is recorded at cost. The Organization follows a practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	15-39
Furniture, fixtures, and office equipment	3-7
Vehicles	5

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long the long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$10,698 for the year ended June 30, 2009.

Functional Expense Allocation

Salary and related expenses were allocated on the basis of time spent for program services and for supporting services. Depreciation expense was allocated directly to programs when possible with the remaining balance allocated based upon the allocation of space. The allocation of expenses other than salary and related expenses shown on the statement of functional expenses was made by assignment of costs based on the allocation of space or the number of the full time equivalent employees.

EYERLY-BALL COMMUNITY
MENTAL HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

Eyerly-Ball Community Mental Health Services has receivables from governmental or other agencies and clients, which are subject to the possibility that a loss may occur from the failure of these parties to perform according to terms of the agreements from which the receivables arose. The amount of possible loss is equal to the balance of the receivable at the time of failure to perform. Eyerly-Ball Community Mental Health Services does not require collateral or other security to support these financial instruments unless otherwise noted.

Valuation of Investments

The Organization adopted the provisions of SFAS No. 157, "Fair Value Measurements" (SFAS No. 157), effective July 1, 2008. Under SFAS No. 157, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches. SFAS No. 157 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Organization only holds Level 2 and Level 3 securities.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 201,582	\$ -	\$ -	\$ 201,582
Buildings	1,415,367	20,223	-	1,435,590
Furniture and fixtures	230,075	1,503	-	231,578
Office equipment	318,707	-	-	318,707
Vehicles	43,077	-	-	43,077
	<u>2,208,808</u>	<u>21,726</u>	<u>-</u>	<u>2,230,534</u>
Less accumulated depreciation	<u>1,144,977</u>	<u>70,800</u>	<u>-</u>	<u>(1,215,777)</u>
	\$ <u>1,063,831</u>	\$ <u>(49,074)</u>	\$ <u>-</u>	\$ <u>1,014,757</u>

EYERLY-BALL COMMUNITY
MENTAL HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – LEASE COMMITMENTS

Operating Leases

The Organization rents office equipment under an operating lease. Total rent expense for the year ended June 30, 2009 was \$13,716. The future minimum payments are as follows:

<u>June 30,</u>	<u>Amount</u>
2010	\$ <u>1,143</u>

Capital Leases

The Organization entered into two capital lease agreements during 2004 and 2005 to purchase telephone equipment. Capital leases are included in furniture and fixtures in Note 2:

Cost	\$ 74,659
Less accumulated amortization	<u>73,027</u>
	\$ <u>1,632</u>

Future minimum payments under capital leases as of June 30, 2009 are as follows:

<u>June 30,</u>	<u>Amounts</u>
2010	\$ 2,326
Less amount representing interest	<u>42</u>
Present value of future minimum lease payments	\$ <u>2,284</u>

NOTE 4 – MORTGAGE LOANS

Mental Health Facility Revenue Note, Series 2004

Monthly payments of \$6,047 through August 31, 2009, including interest at 4.25%. The monthly payment and interest rate will be adjusted on August 31, 2009, 2014 and 2019, to 125 basis points over the U.S. Treasury CMT Rate, but with a minimum of 4.0% and a maximum of 6.75%. Secured by a mortgage on property at 945 19th Street, Des Moines, Iowa, with a carrying value of \$846,723 and a mortgage on 1301 Center Street, Des Moines, Iowa with a carrying value of \$129,460.

This agreement also places on the Organization certain financial requirements related to operations of the business.

Future scheduled maturities of long-term debt are as follows:

<u>June 30,</u>	<u>Amounts</u>
2010	\$ 38,881
2011	40,566
2012	42,324
2013	44,158
2014	46,072
2015 and thereafter	<u>598,093</u>
	\$ <u>810,094</u>

EYERLY-BALL COMMUNITY
MENTAL HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – DEFERRED FINANCE COSTS

Costs directly related to the Organization's August 31, 2004 debt refinancing totaling \$39,633 have been deferred and are included net of accumulated amortization of \$9,143 in long-term capital lease and mortgages payable on the accompanying Statement of Financial Position. During the year ended June 30, 2009, \$1,982 in deferred finance charges were amortized and included in current year interest expense under the straight-line method. Deferred finance charges are shown net with proceeds from borrowings on the accompanying Statement of Cash Flows.

NOTE 6 – LINE OF CREDIT

The Organization obtained a \$200,000 line of credit with an area bank. Amounts borrowed on the line bear interest at the prime rate, but with a minimum rate of 5.5 percent. This line expires March 1, 2010. Behavioral Health Resources, Inc., Westminster House, Inc., and Golden Circle Behavioral Health, L.C. are co-guarantors on this line of credit. The outstanding balance on this line of credit was \$120,000 at June 30, 2009.

NOTE 7 – INCOME TAX STATUS

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of Iowa income tax law, which provides tax exemption for corporations organized and operated exclusively for religious, charitable or educational purposes. The Organization has also been classified as an entity that is not a private foundation.

NOTE 8 – RENTAL REAL ESTATE

On April 1, 2004, Eyerly-Ball Community Mental Health Services entered into 63 month lease agreements with Behavioral Health Resources, Inc. and Golden Circle Behavioral Health, L.C., both related entities, for space in a new building. The lease agreements call for monthly payments of \$826 and \$6,431, respectively, for fiscal 2009. Lease rates were calculated based on direct costs with year-end adjustments.

Eyerly-Ball Community Mental Health Services has recorded security deposit liabilities in the amounts of \$3,900 and \$5,000 to Behavioral Health Resources, Inc. and Golden Circle Behavioral Health, L.C., respectively, at June 30, 2009.

NOTE 9 – MAJOR REVENUE SOURCES

Polk County Health Services, Inc. is a major funding source of the Organization. Revenues and accounts receivable from Polk County Health Services, Inc. for the year ended June 30, 2009 were as follows:

Net revenue:	
Polk County Health Services, Inc. – Direct	\$ 1,160,656
Golden Circle Behavioral Health, L.C – Indirect	<u>3,900</u>
Total Polk County Health Services, Inc.	\$ <u>1,164,556</u>
Percentage of total revenue	38%
Accounts receivable:	
Polk County Health Services, Inc.	\$ <u>91,135</u>

NOTE 10 – RETIREMENT PLAN

The Organization maintains a retirement program qualified under Section 401(k) of the Internal Revenue Code covering all eligible employees. The program allows the Organization to make discretionary contributions to the program, subject to certain limitations. Eyerly-Ball Community Mental Health Services has recognized expenses related to these contributions of \$30,529 for the year ended June 30, 2009.

EYERLY-BALL COMMUNITY
MENTAL HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 11 – GOLDEN CIRCLE BEHAVIORAL HEALTH, L.C.

On August 31, 1996, Eyerly-Ball Community Mental Health Services entered into an operating agreement to become an initial member of Golden Circle Behavioral Health, L.C. This entity was formed for the purpose of contracting for behavioral health services on behalf of its members. The members work in unison with Polk County Health Services, Inc. to provide services that are flexible and able to meet the changing expectations of consumers. At June 30, 2009, Eyerly-Ball Community Mental Health Services had a 33.33 percent ownership in Golden Circle Behavioral Health, L.C.

Eyerly-Ball Community Mental Health Services and Golden Circle Behavioral Health, L.C. share some expenses such as advertising. Each entity reflects only its own portion of the expenses in their respective statement of activities. Amounts payable to Golden Circle Behavioral Health, L.C. at June 30, 2009 were \$247,819.

Condensed financial information of Golden Circle Behavioral Health, L.C. as of June 30, 2009 is as follows:

ASSETS

Current assets	\$ 960,317
Property and equipment	79,735
Other assets	<u>5,000</u>
	\$ <u>1,045,052</u>

LIABILITIES AND MEMBERS' EQUITY

Current liabilities	\$ 771,949
Members' equity	<u>273,103</u>
	\$ <u>1,045,052</u>
Decrease in members' equity	\$ <u>32,767</u>

NOTE 12 – RELATED PARTIES

Eyerly-Ball Community Mental Health Services conducts various transactions with Behavioral Health Resources, Inc. and Westminster House, Inc., W.H. II, LTD. and W.H. III, Inc., related parties due to common boards of directors and common management.

All staff of Eyerly-Ball Community Mental Health Services are employees of Behavioral Health Resources, Inc. Behavioral Health Resources, Inc. passes on expenses for payroll, employee benefits, insurance and other miscellaneous expenses. Eyerly-Ball Community Mental Health Services continues to reflect all expenses and accruals related to these transactions by natural classification in their financial statements. Amounts paid to Behavioral Health Resources, Inc. for the year ended June 30, 2009 were approximately \$2,382,434. The amount payable to Behavioral Health Resources, Inc. at June 30, 2009 was \$112,461. The amount receivable from Behavioral Health Resources, Inc. at June 30, 2009 was \$43,198. Behavioral Health Resources, Inc. also passes on to Eyerly-Ball Community Mental Health Services revenues received for interest and management fees, as well as refunds. During a prior year, Eyerly-Ball Community Mental Health Services made a \$5,000 no interest loan to Behavioral Health Resources, Inc. to facilitate operational cash flow. This amount is outstanding at June 30, 2009. Prior to July 1, 2005, Westminster House, Inc. made an \$80,000 no interest loan to Eyerly-Ball Community Mental Health Services to facilitate operational cash flow. At June 30, 2009, \$60,000 was outstanding on this loan.

Several expenses such as advertising are frequently shared by Westminster House, Inc., Eyerly-Ball Community Mental Health Services, and Golden Circle Behavioral Health, L.C. Each entity reflects only its portion of the expenses in their respective statement of activities. The amount payable to Westminster House, Inc. at June 30, 2009 is \$35,759.

EYERLY-BALL COMMUNITY
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NOTES TO FINANCIAL STATEMENTS

NOTE 13 – COMPARATIVE AMOUNTS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2008 from which the summarized information was derived.

NOTE 14 – NET ASSETS

During the year ended June 30, 2009, temporarily restricted net assets were released from restrictions by incurring expenses satisfying the purpose restrictions imposed by the grantor as follows:

Patient education	\$ 100
Supported Community Living Program activities	2,079
Employee benefits	<u>5,189</u>
	<u>\$ 7,368</u>

NOTE 15 – FAIR VALUE MEASUREMENTS

		<u>Fair Value Measurements Using</u>		
	<u>Cost</u>	<u>Fair Value</u>	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
<u>June 30, 2009</u>				
Investment in Greater Des Moines Community Foundation	\$ 5,903	\$ 5,903	\$ 5,903	\$ -
Investment in Golden Circle Behavioral Health, L.C.	<u>96,152</u>	<u>96,152</u>	<u>-</u>	<u>96,152</u>
Total	\$ <u>102,055</u>	\$ <u>102,055</u>	\$ <u>5,903</u>	\$ <u>96,152</u>

SFAS No. 157, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Plan uses appropriate valuation techniques based on the available inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 2 Fair Value Measurements

The fair value of foundation funds is based on quoted values of the shares held by the Organization at year-end.

Level 3 Fair Value Measurements

The investment in Golden Circle Behavioral Health, L.C. is not actively traded and significant other observable inputs are not available. The following table provides further details of the Level 3 fair value measurements.

EYERLY-BALL COMMUNITY
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NOTES TO FINANCIAL STATEMENTS

NOTE 15 – FAIR VALUE MEASUREMENTS

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

		Investment In Golden Circle Behavioral Health, L.C.
<u>June 30, 2009</u>		
Beginning balance	\$	85,230
Purchases, sales, issuances, and settlements (net)		<u>10,922</u>
Ending balance	\$	<u>96,152</u>